

THRIVING in ADVERSITY



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2010 ANNUAL REPORT

Message from the Executive Director



MOHELA’s 2010 fiscal year ended on June 30, 2010, the same day that MOHELA and its lender partners originated their last loan under the Federal Family Education Loan Program (FFEL program). MOHELA successfully operated in the FFEL program for nearly thirty years. Millions of students, student loan borrowers, and parent borrowers have benefited from MOHELA’s steadfast commitment to the students attending the 154 institutions of higher education in Missouri. These benefits include second-to-none servicing, lower interest rates, loan forgiveness, and the return of hundreds of millions of dollars directly to the universities through the Lewis & Clark Discovery Initiative. While we are unable to originate any new FFEL program loans, MOHELA is fully committed to providing continued excellent service to the over 400,0000 borrowers that currently have loans with MOHELA. Any net revenues generated on MOHELA’s remaining FFEL program portfolio of loans will be returned to our stakeholders through reduced interest rates, loan forgiveness, and other distributions back into higher education in the state of Missouri.

Well before the federal government passed legislation ending the FFEL program, MOHELA had made a significant commitment to providing the same level of service to students attending the growing number of schools offering loans under the Federal Direct Loan Program (FDLP). Within the next year, MOHELA anticipates becoming one of the first non-profit servicers of FDLP loans. Becoming a premier servicer of FDLP loans will allow MOHELA to continue to provide the same level of customer service to which MOHELA’s customer’s have become accustomed. And, as is always the case, any net revenues realized by MOHELA in the course of servicing FDLP loans will be returned to higher education in the state of Missouri.

MOHELA’s balance sheet continued to strengthen throughout FY 2010 as a result of various transactions including the refinancing of trust estates and participation in the federal government’s ECASLA program. The financial gains realized early in the fiscal year allowed MOHELA’s Board to pass a resolution to provide \$30 million in funding to the Access Missouri Student Financial Assistance Program, which is Missouri’s primary need-based scholarship program. Prior to the end of FY 2010, MOHELA transferred this \$30 million into a designated account with instructions to distribute the funds during the following fiscal year. The timing of this transfer of funds could not have come at a better time, given the State’s significant lack of resources and reduction in funding for the Access Missouri Program.

The credit market crisis and the end of the FFEL program posed daunting challenges for MOHELA. However, MOHELA’s fundamentally strong balance sheet and exceptionally strong loan servicing operations allowed MOHELA to endure these challenges. MOHELA has emerged stronger than ever and the employees have enthusiastically embraced the changes and opportunities presented. Simply put, MOHELA’s ability to serve its stakeholders has never been stronger.

Sincerely,

Raymond H. Bayer Jr.
Executive Director



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History

In the Beginning...

The Higher Education Loan Authority of the State of Missouri (MOHELA) was created in 1981 through legislation signed into law by Governor Christopher S. “Kit” Bond and has been participating in the Federal Family Education Loan (FFEL) Program for almost three decades. MOHELA operates in the not-for-profit sector and has been a traditional secondary market lender and servicer originally created, in part, to ensure that students have access to low-cost education loans. Our mission to promote access to higher education, dedication to our customers, long history in the student loan industry and designated “Exceptional Performer” rating by the Department of Education uniquely positions MOHELA among student loan providers. MOHELA is based in Chesterfield, Missouri and is ranked in the top ten based on volume of loans and dollars serviced. MOHELA has over 200 full-time staff members working with students, schools and lenders throughout the nation servicing over \$5 billion in student loans.



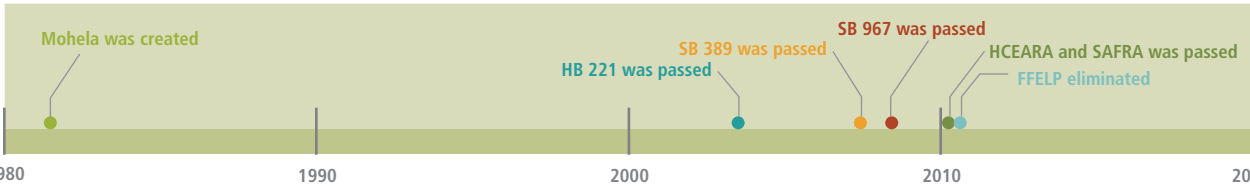
MOHELA is governed by a seven-member Board, five of whom are appointed by the Governor of the State, subject to the advice and consent of the State Senate, and two others who are designated by statute, the State Commissioner of Higher Education, and a member of the State Coordinating Board for Higher Education. Raymond H. Bayer, Jr., appointed by the Board during FY 2007, serves as Executive Director and Chief Executive Officer of the Authority.

How we got here...

MOHELA was created by the General Assembly of the State of Missouri through passage of House bill (“HB”) 326, signed into law on **June 15, 1981**, in order to insure that all eligible post-secondary education students have access to guaranteed student loans. The legislation was amended, effective August 28, 1994, effective August 28, 2003, and again effective May 2, 2008 to provide the Authority with generally expanded powers to finance, originate, acquire, and service student loans, including, but not limited to, those guaranteed or insured pursuant to the Higher Education Act.

The passage of HB 221, effective **August 28, 2003**, allowed MOHELA to originate Parent Loans for Undergraduate Student (“PLUS”) loans) and extended the date for repayment of bonds issued by MOHELA from 30 to 40 years. The bill also repealed sections of the law setting restrictions on variable-rate unsecured loans.

The passage of Senate Bill (“SB”) 389, effective **August 28, 2007**, further amended MOHELA’s purpose in order to support the efforts of public colleges and universities to create and fund capital projects, and in order to support the Missouri Technology corporation’s ability to work with colleges and universities in identifying opportunities for commercializing technologies, transferring technologies, and to develop, recruit, and retain entities engaged in innovative technologies. In addition, powers of MOHELA were amended to include fund transfers to the Lewis and Clark Discovery Initiative and authorized us to participate in any type of financial aid program that provides grants and scholarships to students.



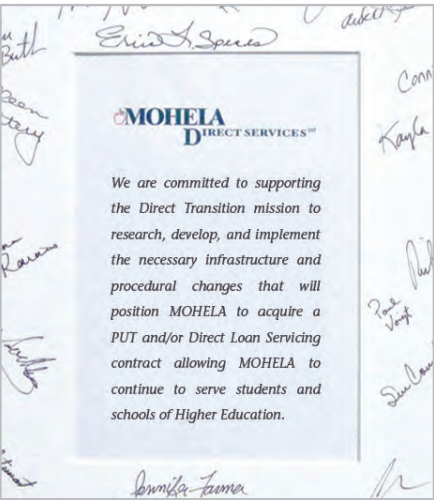
The enactment of SB 967 on **May 2, 2008**, allowed MOHELA to originate Stafford loans, however “the Authority’s origination of Stafford loans under the Federal Family Education Loan Program (“FFELP”) shall not exceed ten percent of the previous year’s total Missouri FFELP volume as determined by the Student Market Measure report, data from the U.S. Department of Education or other reputable sources”. We originated and disbursed just under \$155 million of Stafford loans during FY 2010 compared to \$76 million for FY 2009.

Due to the enactment on **March 30, 2010**, of the Health Care and Education Reconciliation Act of 2010 (“HCEARA”) which included the Student Aid and Fiscal Responsibility Act (“SAFRA”) and eliminated the FFELP effective **July 1, 2010** including the origination of new FFELP loans after June 30, 2010, MOHELA is not able to originate FFELP loans in the future. As of July 1, 2010, all loans made under the Higher Education Act will be originated under the William D. Ford Federal Direct Loan Program (Direct Loan Program). However, MOHELA is pursuing a contract with the U.S. Department of Education (“the Department”) to service Direct Loan Program loans in accordance with HCERA, Public Law 111-152, which requires the Secretary to contract with each eligible and qualified not-for-profit servicer to service direct loans. The Department has already determined that we meet the basic eligibility criteria for a not-for-profit servicer as outlined in HCERA with final determinations of eligibility and qualifications under the terms of the statute to be made as part of a future formal solicitation process. In addition to pursuing a federal direct loan servicing contract, MOHELA still services over \$4.2 billion of its own student loans and \$1.4 billion in lender partner owned loans that will provide us with ongoing revenue streams for many years to come. This legacy portfolio and its related revenue will assist us in a gradual and smooth transition to a direct loan servicing business model.

To prepare for the legislative changes ending the origination of the FFEL Program effective July 1, 2010, MOHELA assembled a select team of management and staff from critical areas in December 2009 priming the organization to be eligible to service Federal Direct Loans by December 2010. Team members from Finance, Compliance, Servicing, Systems Management, Development and Conversions were brought together to dedicate their collective skills and experience to the research, development, and implementation of the necessary infrastructure and procedural changes that will position MOHELA to proceed in serving students and schools of higher education. We hired a consulting firm to assist us in pursuing a federal contact. The firm had staff available on-site that assisted us with decisions, goals and expectations with the federal government’s contract process and procedures.

New Department Created – Federal Contracts

MOHELA’s newest department, Federal Contracts, was created to form a team dedicated to moving MOHELA forward in the quest of becoming a federal contractor for Direct Loans. To help employees connect with the new department, Federal Contracts hosted an open house for staff to meet the team, gain a better understanding of the process, and learn about the expectations and project timelines. All MOHELA employees were encouraged to attend the open house and sign the commitment card to support the mission of the department. Stations with visual aids were set up to provide employee awareness on the revised Project Timeline, the Work Breakdown Structure (WBS), DocuCenter, the IT and Security flowchart, and the proposed look and feel of the new MOHELA website. In addition to the presentations, a question & answer session was provided as an interactive opportunity to become acquainted with the new acronyms and information about the transition and the new department that works diligently to move MOHELA in a new direction.



Exceptional Staff Members

Our commitment to student loans extends, as always, to our exceptional staff members. MOHELA’s success hinges on employees’ ability to rise to the challenges set before them and succeed in their individual tasks. We have committed to supporting employee-focused initiatives which will continue to make MOHELA a great place to work in every regard for each one of our staff members.

Medical Benefits & Services

MOHELA continued to offer our employees a wide range of benefits, including health and dental insurance, life insurance, vision insurance, adoption leave, short and long term disability insurance, accidental death and dismemberment insurance, 401(k) option and pension. Additionally, MOHELA’s Flexible Spending Plan assists in managing expenses by allowing employees to set aside pre-tax dollars which can be used to pay for approved medical and healthcare costs, prescription items and childcare costs. Employees choose the amount they wish to designate annually, and these funds are automatically deducted from their paycheck.

Vacation and Paid Time off Policies

Offering our staff vacation and paid time off was generously continued by MOHELA. In the past, our employees received their annual vacation at the end of an anniversary year as a one-time aggregate amount. Because of the positive reception from staff with adjusting our paid time off policy from a lump sum to an accrual method in FY 2008, we continued the accrual process for receiving vacation time. We believe in maintaining a balance between work and personal time, and most importantly, we believe in giving our staff the freedom and flexibility to focus on the things that matter to them outside the office.

Tuition Reimbursement

MOHELA continued our commitment to our staff by providing tuition reimbursement to those who wished to further their education and expanded the program to include dependent children pursuing a post secondary degree. Full-time and reduced full-time employees who completed at least one year of employment were eligible to participate in the program. Employees and/or dependents were eligible to receive up to \$7,500 in reimbursement for eligible tuition and book expenses associated with their coursework, depending on both length of employment at MOHELA and grade received in the eligible course. This year we saw our largest participation rate ever, with over \$183,000 distributed, a 54% increase over the previous year, and over 14% of staff using this valuable benefit during the 2009-2010 academic year.

Fitness and Wellness Activities

With the rising cost of health insurance and focus on overall well-being, MOHELA partnered with staff to provide services beneficial to our every-day life.

- ✦ Voluntary flu shots were administered on-site by health professionals
- ✦ Voluntary mammograms were administered on-site by health professionals
- ✦ Voluntary Weight Watchers weekly meetings were on-site with Weight Watcher staff; MOHELA contributed to the cost of joining
- ✦ Blood Drive on-site
- ✦ Discussion and planning of an on-site fitness center for staff to utilize during breaks, lunch, and before and after work-shifts
- ✦ Decision made to have a smoke-free campus by October 1, 2010 with voluntary smoking cessation programs



We have committed to supporting employee-focused initiatives which will continue to make MOHELA a great place to work in every regard for each one of our staff members.

MOHELA's Diversity Outreach Committee

In September 2009, MOHELA staff completed a survey of diversity and inclusion. One of the results was a need for an inclusion initiative to tackle the diversity issues we are faced with at MOHELA. The Executive Steering Committee realized the necessity and importance of this initiative, and the MOHELA Diversity Outreach Committee (MoDOC) was created. The committee consisted of twelve individuals; six seats were based on job position because of the ability to make business decisions and implement them, and six seats were selected through an application and interview process.



- MoDOC established the following goals:
- ✦ Evaluate and review the findings of the diversity survey
 - ✦ Create company goals and deliverables
 - ✦ Educate staff on diversity and inclusion
 - ✦ Assist in diversity and inclusion events

The mission of the MOHELA Diversity Outreach Council (MoDOC) was to foster an open environment of understanding and to appreciate the individuality and creativity of every employee which would maximize MOHELA's ability to achieve its goals and objectives.

The MoDOC team worked hard at defining diversity itself, as diversity is more than just a black-white, male-female issue. The team defined diversity as *“the respect and acceptance of the similarities and differences of the many dimensions of individuality. Dimensions include traits that may not be visible such as national origin, religion, marital status, economic status, education, beliefs, values, sexual orientation, and personality, as well as traits that may be easier to see such as race, color, gender, and physical abilities.”* After determining their definition of diversity, the MoDOC team formed a statement of philosophy regarding diversity in the MOHELA work environment: *“As an organization dedicated to higher education, MOHELA welcomes the contributions of its staff to promote and foster a shared sense of diversity. These valuable contributions of experiences and viewpoints strengthen MOHELA by attracting and retaining a talented workforce, improving productivity, and providing opportunities for growth and expansion – both internally and in the communities we serve. A diverse workforce will position MOHELA to better serve and respond to its diverse customer base. We therefore promote an environment that leverages the unique talents of staff, demonstrates respect and inclusion, and challenges each employee to exhibit an appreciation for diversity in how they communicate and interact with others”.* This philosophy statement emphasized our aspirations to continually develop and promote a diverse and inclusive MOHELA.

MOHELA welcomes the contributions of its staff to promote and foster a shared sense of diversity.

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Employee Satisfaction Task Force Charter Signing

The Employee Satisfaction Task Force (ESTF) was established in May 2009 to address a broad range of issues that were identified in the last Employee Satisfaction Survey. During the latter part of 2009, the task force presented a proposal for recognition to the Executive Steering Committee and gained approval for several items including:

- ✦ A “Recognition Wall” with plaques to recognize employees who reach 5, 10, 15, 20, and 25 years of service
- ✦ A catalog of items for employees to select their own service awards
- ✦ The assignment of parking spots to those employees reaching their 20th year of service

The Executive Steering Committee and ESTF decided to narrow down the scope of the task force and refocus their efforts to enhance MOHELA's opportunity for long-term success. With the help of an external consultant who specialized in professional development, ESTF addressed the dimensions of Communication, Employee Relations, Quality Effectiveness, Recognition, and Training & Development. By focusing on these dimensions, the task force hoped to make improvements in employee engagement, employee relations, communication, and interdepartmental cooperation within MOHELA. The ESTF's goal was to provide the Executive Steering Committee with realistic and achievable recommendations to improve MOHELA's work environment before May 31, 2010.



The ESTF Charter Signing, March 2, 2010; Mary Stewart, Ray Bayer & Will Shaffner

Bring Your Kid to Work Day

First begun in 1993 by the Foundation for Women as the “Take Our Daughters to Work Day”, the annual program has since been extended to include sons on the special day traditionally held on the fourth Thursday in April. MOHELA celebrated this annual tradition on Thursday, April 22, 2010 by allowing staff to bring their first through sixth grade children to work for the day. This year the theme was “1 Youth, 1 Dream, 2 Morrow's Leader”. Nearly 40 children attended the day's events, which included food, a tour, activities, and a movie. The morning started with breakfast and an “Ask the Panel” discussion. Members of staff agreed to allow the kids to ask them anything and everything. They listened to a presentation on brand name recognition and were then encouraged to team up and create their own logo for MOHELA. They also learned about diversity and how it impacts the workplace. Our Human Resource staff worked with the children on a career project from Careers for Kids in which the children were encouraged to find a career that suited their favorite hobbies and interests. As the children toured the building and visited their parent or grandparent, they were exposed to a professional and positive work environment.

Operations

MOHELA Celebrates Customer Service Week

MOHELA celebrated National Customer Service Week in October 2009. National Customer Service Week was developed in 1988 to focus national attention on the importance of customer service and honor the people who serve and support customers. Here at MOHELA, we

MOHELA's Customer Service area took over **280,389 incoming calls** from our customers and made over **673,772 outbound calls** to contact and resolve delinquent accounts.

continually provide excellent customer service to each other and to our external customers. The theme was “A Call to Excellence”. MOHELA’s philosophy for customer service is simple: We strive for top-notch service and the ability to measure our success at doing so. MOHELA provides up to six weeks of classroom training along with weekly mentoring sessions. Prior to releasing a new agent to answer incoming calls, Supervisors and Senior Representatives complete evaluations to gauge the trainee’s customer service success and product/company knowledge, and to identify the need for additional training. After the agent has been fully released to the call center, MOHELA provides ongoing training to enhance agent knowledge. Our management staff provides online reference materials to our agents and ‘help key’

This fiscal year, our Default Prevention Unit resolved over **\$130 million in FFEL Program defaults**.

representatives are available to assist agents in finding answers quickly and efficiently. Any changes to policies and procedures are communicated via email and during regular team meetings, and all policies and procedures are updated immediately in the reference material. MOHELA’s service level goals have always been consistently set very high. We cross-train within our Servicing and Origination departments in order to meet and exceed these goals. Our staff is trained on how to ask fact-finding questions so they may resolve issues to our customers’ satisfaction the first time they call. By using the tools and knowledge we provide them, our customer service staff is able to save our customer’s time and decrease callbacks on the same situation. Additionally, our management staff regularly monitors call volume and pull additional resources as needed to handle any increase in volume. We monitor daily telephone reports to ensure our customers never hear a

Our Skip Tracing division made over **12,000 outgoing calls per month** to borrowers and their listed references to resolve accounts with invalid demographic information.

busy signal by having plenty of incoming telephone lines available at all times. National Customer Service Week gives us an opportunity to recognize our Servicing Staff and how critical their dedication and accomplishments are to MOHELA’s ability to provide the utmost in service to all of our customers throughout the state and nation, whether student, parent, school or lender.



FY 2010

Customer Service staff responded to **17,423 emails**.



MOHELA has over **200 individuals dedicated to superior customer service**, which means every one of our customers—students, schools and lenders—receive the most accurate, up to date information right when they need it.

Cost-Cutting Initiative – MOHELA Goes Paperless

MOHELA continually searched for ways to decrease operating costs and be more environmentally conscious at the same time. We successfully did this in a number of ways, from combining information from numerous documents onto one comprehensive document to providing electronic methods for borrowers to request deferments, forbearances and other information. We embarked on a new initiative to increase our efforts in this area by forming a group of staff members to research and implement an electronic option of sending borrowers their information rather than via mail. Many of our borrowers expressed an interest in having their information sent electronically and believe a virtual delivery method would best suit their needs. Additionally, paperless delivery to our customers would enable them to receive their information immediately, rather than taking several days by mail.

Since going live on November 16, 2009, with the secure email process, the customer service area has responded to over 17,423 messages. The most common topics discussed by our borrowers were Billing/Payments, Postponing Payments, Existing Loan Question, Repayment Options, eBill, and Paying Bills.

On March 31, 2010, MOHELA’s “Go Paperless” process went live on mohela.com. Not only did this allow borrowers to receive and store their documents electronically, it also allowed us to control the delivery method down to the letter level, where individual letters could be selected for paperless delivery, paper only delivery, or dual delivery (both methods). Borrowers had to enroll/ consent to receive their documents electronically through their “My Messages” inbox, which is accessible after logging in to their MOHELA account. Each time a new letter or other document was delivered to their My Messages inbox, the borrower would receive a courtesy alert to their personal email notifying them they have new mail at mohela.com. By June 30, 2010, 6,698 had signed up to begin receiving their information electronically.

MOHELA Recycles

Thanks to the efforts of the Cost-Cutting committee, creative thinking of our staff and quick implementation by management, we have saved thousands of dollars in operating expenses. On November 30, 2009 MOHELA implemented a recycling program. After just one month, more than 50% of our waste was recyclable. In fact, we had so much participation in this initiative that we had to increase the number of pick-ups by our waste management vendor from 3 to 4 times per week. Our recycling program was successful due to the efforts of our employees.



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Giving Back to our Community

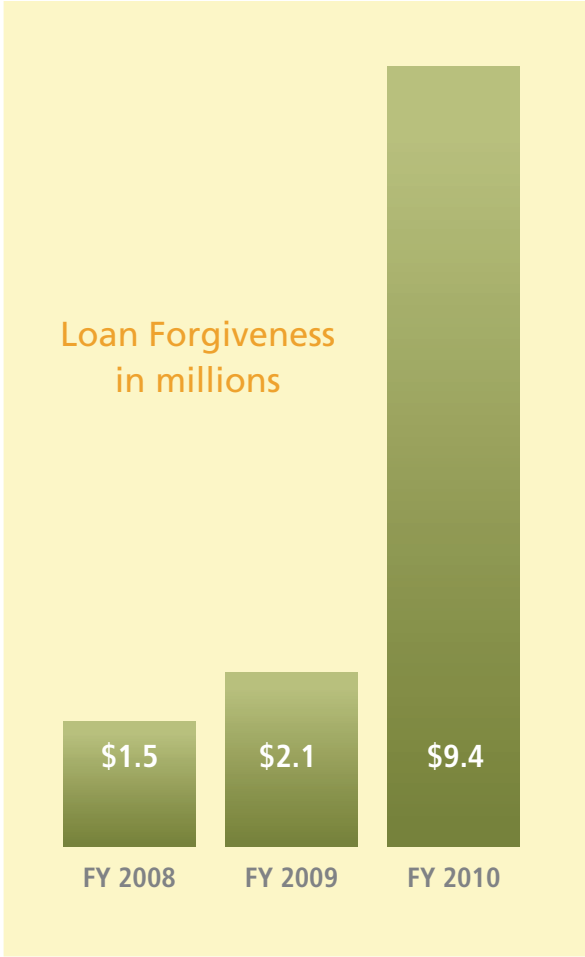
Since our inception, MOHELA has demonstrated our dedication to helping students and families better afford college by providing in excess of \$69 million in loan forgiveness, grant programs and interest rate reductions in addition to contributing \$240 million for college and university construction projects throughout Missouri. To further support access to higher education, MOHELA formed the Missouri Scholarship Foundation, a nonprofit organization seeking tax-exempt status under section 501(c)(3) of the Internal Revenue Code, devoted to alleviating some of the costs associated with higher education for students and families.

In the past, we have offered various rate reduction programs to borrowers who established payments through automatic deduction as well as various loan forgiveness programs. Beginning in FY 2009, we modified our borrower benefits to comply with new requirements related to the Federal ECASLA programs. As a result, borrowers who established payments through automatic deduction received a 0.25% interest rate reduction.

In FY 2010, we created a new program called the Director’s Choice Grant Program that provided three hardship grants up to \$1,000 to needy students for each of the Missouri post-secondary institutions. During FY 2010, we provided \$0.4 million in Director’s Choice grants.

The Director’s Choice Grant Program was designed to benefit students who had a specific and urgent financial need which served as a barrier to their educational success. Eligible students were identified by the Financial Aid Director at each institution, and three students per institution would be selected to receive up to a \$1,000 grant. The program provided a unique opportunity which allowed MOHELA to work hand-in-hand with postsecondary institutions throughout Missouri to assist students from all walks of life in breaking down financial barriers and achieving their educational goals.

Following are some of the requests we received on behalf of some of our Missouri students. Each request reminded us of how important it was to continue doing what we can to help students succeed with their college plans.



Avila University Nursing major

“ Saudia is an amazing student; however, last semester her grandmother died and she provided housing for Saudia, her mother (who needs full-time care) and Saudia’s daughter. After her grandmother’s death, Saudia was forced to move and is currently caring and providing for both her mother and her daughter. Currently, they have no water since Saudia cannot afford to have it hooked up. She is determined to provide a better life for herself and her family.”

Maryville University Clinical Lab Science major

“ The family was doing well between financial aid and making payments, but then a fire at their home made any out of pocket payments impossible for the near future. This grant will help Kristen stay on track academically and not have to pick up more hours at her job.”

East Central College Psychology major

“ Ashley lost her car and all of her school books in the flash flood on September 20, 2009 in Washington, Missouri. She is not eligible for any other grants or financial assistance and is in need of funds right away to help her continue on with her education.”

Bolivar Technical College/Texas County Technical Institute Practical Nursing major

“ Jessica is half way through her last semester of her nursing program and is struggling financially. Her husband recently left her and she has three children to raise alone without support. Jessica’s utilities are going to be disconnected this week and her vehicle will be repossessed unless she has funding to pay these expenses. She has a sincere need.”



We received many letters from students thanking us for awarding them the grant money to help in dealing with their financial struggles:

Thank You!

Evangel University Management major

“ Thank you for the scholarship. I appreciate your support of me and my education. It is very important that scholarships are available to students at Evangel University so that we may continue our education in an environment that integrates faith and learning. Your generosity will make a difference in the lives of many students in years to come. Thank you.”

Her story: “Victoria’s family had been hit hard by the nation’s economic upheaval. Their family had a car dealership that was forced out of business, leaving Victoria’s plans for continued education uncertain. This grant came at a perfect time to help her meet her goals.”

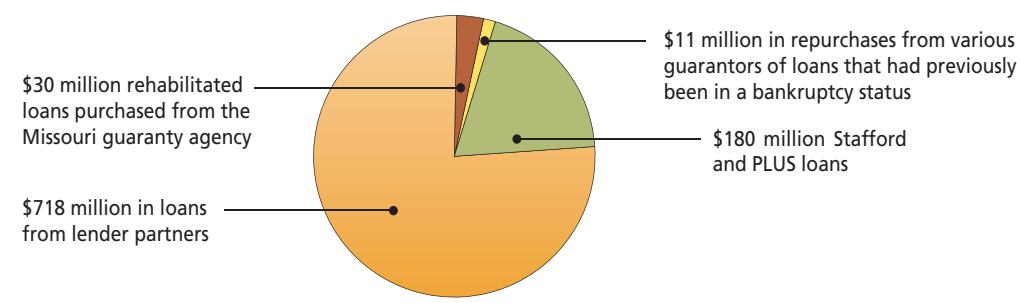
Financials

Overview

MOHELA purchased/originated \$939 million of gross principal student loans from a variety of financial institutions during the FY 2010. This compared to \$842 million of gross principal during FY 2009 and \$1.3 billion of gross principal during FY 2008 representing a 10% increase for FY 2010 compared to a 35% decrease for FY 2009.

During the FY 2010, MOHELA’s income was supplemented by over \$7.1 million in servicing fee income. In addition, we received approximately \$19.6 million in revenues associated with the sale of loans to the Department through the Ensuring Continuing Access to Student Loans of 2008 (ECASLA), Federal Loan Participation Purchase Program and the Loan Purchase Commitment Program (PUT).

\$939 Million Gross Principal of Student Loans



The Authority completed *three successful* bond financings in FY 2010 utilizing the LIBOR floating rate note market.

In the first transaction, which closed on November 5, 2009, the Authority issued \$186.0 million in LIBOR floating rate notes (“LFRNs”) in the 2009-1 Trust to refinance the non Straight-a Conduit eligible assets from the 2005 Trust, which were primarily consolidation loans. In the second transaction, which closed on January 28, 2010, the Authority issued \$761.4 million in LFRN bonds under the 2010-1 Trust to purchase and extinguish \$819.2 million of failed auction rate bonds from the Eleventh General Student Loan Bond Resolution at a discount. In the third transaction, which closed on May 26, 2010, the Authority issued \$822.5 million in LFRN bonds under the 2010-2 Trust to redeem \$49.8 million in fixed rate bonds from the 6th General at a 0.5% premium, to redeem the \$33.9 million in variable rate demand notes from the 8th General at par, and to purchase and extinguish \$704.0 million in failed auction rate bonds from the 11th General at a discount. The \$822.5 million in bond proceeds were also utilized to purchase loans from MOHELA’s operating fund.

Total assets decreased \$112 million compared to a decrease in liabilities of \$259 million resulting in an increase to the Authority’s net assets of \$147 million in FY 2010. This increase compares favorable to an increase of \$56 million in FY 2009.

As a result of the various transactions described above and our participation in the federal government’s ECASLA and PUT programs, MOHELA’s balance sheet continued to strengthen. Our board and executive management team continued to approve creative programs that supported our mission of promoting access to higher education including \$30 million for the State of Missouri’s need based scholarship program, Access Missouri. Our economic strength helped us provide these programs for the students, families and schools we support in Missouri.

Condensed Statements of Net Assets (in thousands)

	2010	2009	2008
Cash and cash equivalents	\$ 242,721	\$ 145,363	\$ 124,024
Accrued interest receivable	112,844	136,868	163,331
Capital assets	14,045	14,182	14,202
Other	25,435	24,991	31,980
Student loans receivable	4,229,752	4,415,659	5,169,858
Total assets	\$ 4,624,797	\$ 4,737,063	\$ 5,503,395
Current liabilities	\$ 950,145	\$ 783,136	\$ 513,415
Long-term liabilities	3,359,542	3,785,520	4,877,912
Total liabilities	\$ 4,309,687	\$ 4,568,656	\$ 5,391,327
Invested in capital assets	\$ 14,045	\$ 14,182	\$ 14,202
Restricted	217,214	126,276	51,172
Unrestricted	83,851	27,949	46,694
Total net assets	\$ 315,110	\$ 168,407	\$ 112,068

Condensed Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

Interest on loans	\$ 187,621	\$ 237,404	\$ 280,835
Special allowances	(89,617)	(47,953)	22,085
ECASLA income	19,578	–	–
Gain on extinguishment of debt	139,461	–	–
Investment income and other	7,440	4,665	6,241
Total operating revenues	264,483	194,116	309,161
Bond expenses	58,510	131,021	235,802
Student loan expenses	25,139	26,752	32,632
Administrative and general expenses	34,131	31,358	34,812
Total operating expenses	117,780	189,131	303,246
Operating income before special items	146,703	4,985	5,915
Special items	–	51,354	(233,870)
Change in net assets	\$ 146,703	\$ 56,339	\$ (227,955)

MOHELA has emerged stronger than ever and the employees have enthusiastically embraced the changes and opportunities presented. Simply put, MOHELA’s ability to serve its stakeholders has never been stronger.



Upcoming Fiscal 2011 Year

MOHELA will provide \$30 million in funds for the state of Missouri's need based scholarship program, Access Missouri. The first payment of \$9 million is scheduled to be made to the state of Missouri on September 1, 2010, with subsequent payments of varying amounts planned on the first of the month for the next 7 months.



Our Leadership

As one of the largest student loan secondary markets in the country and industry-leading servicer of student loans, MOHELA garnered its strength as an organization by relying on the guidance of its Board Members and Executive Management. MOHELA's Board included esteemed members of the financial community as well as the Missouri postsecondary education community, including the Commissioner of the Missouri Department of Higher Education and a designated member of the State Coordinating Board for Higher Education. Throughout the upheaval that continued to dominate the student loan industry and the financial sector as a whole, the knowledge and abilities of our Board Members combined with our dedicated staff ensured MOHELA would remain a powerful force committed to serving schools, students and families in the state of Missouri.

MOHELA's Board along with our executive management team worked tirelessly to navigate an ever-turbulent economic environment to ensure our Missouri students and families received funding for higher education. By streamlining our processes, cutting costs and participating in financing options like the Ensuring Continuing Access to Student Loans Act (ECASLA) programs, we successfully maintained a balance which allowed us to provide loans to every single Missouri resident who needed one. While we supported students throughout the region, our organization employed the same methods to maintain our strength and viability in the marketplace.

As the economy continued to fluctuate, our management team stood ready to face new challenges as efficiently and effectively as ever, with constant evaluation of the financial climate and decisions that reflected the best interests of the community we are committed to serving. As we look to the future and what it may hold, we are confident that our stability in the industry and our commitment to serve Missourians will provide our customers with a stable source of funding for years to come.

Members of the Authority



(from left to right) Ms. Jennifer Kneib, Lending Institution Representative; Mr. Willis Jackson (Jack) Magruder, Private Higher Education Representative



Mr. W. Thomas Reeves, Lending Institution Representative; Dr. John F. Smith, Public Representative; Dr. Robert Stein, Commissioner of Higher Education



Mr. Greg Upchurch, CBHE Designate; Mr. Marvin E. (Bunky) Wright, Public Higher Education Representative

Executive Management



(from left to right) Raymond H. Bayer Jr., Executive Director and CEO; Jennifer Farmer, Director of Federal Contracts; Scott Giles, Director of Finance Chief Financial Officer; Chris Lee, Assistant Director Loan Origination & Servicing



Carol Malon, Controller; Jim Matchefts, General Counsel; Will Shaffner, Director of Business Development & Government Relations; Mary Stewart, Director of Operations